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CORPORATE INSIGHTS INTO THE CEO BLUEPRINT FOR RACIAL EQUITY

A Report by PolicyLink, FSG, and JUST Capital
In partnership with Paul Shoemaker, Inc.

What we heard from corporate leaders in response to the **CEO Blueprint for Racial Equity** and what it means for what comes next

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AMID A RAGING PANDEMIC, A DEEP ECONOMIC RECESSION, AND MASS UPRISINGS FOR RACIAL JUSTICE, 2020 exposed the lethal reality of the racism embedded in our policies, systems, and structures across society. Following the unprecedented groundswell of activism against the racial injustice suffered by Black Americans, we witnessed a multitude of corporate responses and financial pledges in support of Black communities like never before, demonstrating a profound shift in our national discourse and powerful momentum behind the racial equity movement.

Equity is defined as just and fair inclusion into a society in which all can participate, prosper, and reach their full potential.

In response, PolicyLink, FSG, and JUST Capital offered an invitation to corporate America to become agents of equity across all their domains of influence in A CEO Blueprint for Racial Equity (*Blueprint*). We shared a new pathway for CEOs to lead more equitable businesses and help build an equitable nation for all by reimagining their actions within their four walls, within the communities in which they are situated, and at the societal level.

Though encouraging to see the tide of the racial equity movement finally reach the shores of corporate America, this moment did not happen overnight. The *Blueprint* is rooted in more than 25 years of research and expertise in building the racial equity movement by centering the over 100 million economically insecure people in America—a staggering number that includes half of all people of color and one-quarter of all White people. It invites business leaders to reach beyond diversity and inclusion programs and deeply consider the intended and unintended impact of their products, services, operations, policies, and practices on people of color and low-income communities.

Now, nearly a year later, the urgency of the moment could not be clearer. Achieving racial equity in America is not only a moral obligation and competitive advantage for businesses but also an urgent economic and democratic imperative for this nation. According to the National Equity Atlas, in 2017 alone, the US economy could have been $2.8 trillion stronger if there had been no racial gaps in income for the working-age population. A study by Citi in 2020 estimated that the lost GDP of systemic racism and discrimination faced by Black Americans over the last 20 years was $16 trillion. Looking ahead, a W.K. Kellogg Foundation study found that the US economy could be $8 trillion larger by 2050 if we eliminated racial disparities across the country.

To fuel the evolution of our work within corporate America, in the months following the release of the *Blueprint* we solicited feedback from C-suite leaders in partnership with Paul Shoemaker, a former Microsoft executive and founding president of Social Venture Partners International. We conducted one-on-one interviews with 40 senior business executives (60 percent of them CEOs/chairpersons) spanning 38 companies across a broad range of industries, including retail and consumer products, finance, information technology, health care, media, professional services, hospitality, and philanthropy. Together, they employ more than 4.3 million workers and range in size from the smallest company with $10 million in annual revenues to the largest company with over $100 billion in annual revenues. Read more about our methodology in the **Appendix.**

OUR GOAL?

To understand business leaders' level of engagement in racial equity work beyond their public statements; their day-to-day application of the *Blueprint* (if at all); key barriers and opportunities for growth; and their greatest needs for guidance in centering equity and justice within their companies, communities, and society.

HERE ARE OUR TOP SEVEN TAKEAWAYS, reflecting what we heard from business leaders, the common barriers we see across companies, and how we plan to help in our forthcoming June 2021 update to the *Blueprint*.

1 Business leaders have a deeper awareness of "shared complicity" in perpetuating inequity and a greater commitment to listen and learn, but also fear making mistakes in moving forward.

> *"George Floyd forced leadership to really start listening and learn to be empathetic."*
>
> – INTERVIEWEE

The history-making events of 2020 catalyzed businesses in extraordinary ways. The unconscionable killings of George Floyd, Breonna Taylor, Ahmaud Arbery, and so many other Black Americans, converging with the Covid-19 pandemic and unemployment crises, ignited a reckoning, pushing corporations to consider how they have contributed to and benefited from structural racial inequities in our capitalist systems. Certainly, the global racial justice protests—bigger, fiercer, and more sustained than previous demonstrations—exerted tremendous pressure on companies, but business leaders also emphasized how they were personally shaken by the overlapping tragedies that laid bare the poisonous interconnectedness of racial, economic, and social inequities.

> *"...more tears in one day than the previous 60 years."*
>
> – INTERVIEWEE SPEAKING ABOUT GEORGE FLOYD'S DEATH

Notwithstanding the authenticity of many business leaders' desire to make transformative changes, one key barrier holding them back is a fear of making mistakes—whether saying the wrong thing internally or doing the wrong thing externally. It is also clear that some business leaders would take bolder action if they knew other leaders were doing the same. These dynamics present significant challenges in moving forward.

As business leaders continue listening and learning, transformative change will also require a willingness to lean further into their discomfort, anticipate and embrace stumbles as opportunities for growth, and unabashedly strive to lead the pack.

› **In our update to the *Blueprint*, we will share strategic guidance for business leaders in meeting their fears, including the importance of developing authentic relationships with community members and partners with deep equity experience who can enhance learning and capacity building and who are acutely aware of what is needed to dismantle barriers.**

2 Transparency matters now more than ever, underscoring the painful lack of robust data and accountability.

"Institutional capital is beginning to speak."

– INTERVIEWEE

In the past, corporate America has been able to take a backseat in the racial equity movement, often engaging in performative actions and retreating once the spotlight dims. Now business leaders are feeling the pressure from investors, the media, employees, and the public, all of whom are increasingly calling on business leaders to disclose the status and impact of their diversity and inclusion initiatives.

Increasing investor pressure for more transparency and accountability, in particular, is a new dynamic for business leaders that presents an opening for more transformative change. However, increased transparency and accountability are hindered by:

- A lack of clarity about how to effectively gather, disaggregate, use, and integrate relevant company data
- Business leaders' trepidation and discomfort regarding the scrutiny and critiques that public disclosure will inevitably bring
- A scarcity of comprehensive data and benchmarking metrics to help companies assess internal progress and account for industry context
- A lack of consistent expectations and roadmaps for how companies should disclose, measure, and speak publicly about their progress

Unless business leaders are proactive in confronting and working through their disclosure discomfort, they will get caught flat-footed as the calls for greater transparency come from an increasing number of market voices. It will not be long before more comprehensive mandatory disclosure is the norm. Building internal capacity with the support and guidance of external partners can help business leaders be more proactive rather than reactive. And, needless to say, it is more often reactive responses that lead to heightened scrutiny and critiques from stakeholders.

› In our update to the *Blueprint*, we will share how our racial equity standards development work will help guide corporations on the necessary process, scope, and depth of their disclosures.

3 While the moral, business, and macroeconomic cases for advancing racial equity have all been made effectively for years, business leaders have not fully embraced all the benefits of advancing racial equity within their workplaces and across society.

"There is verbal agreement by my board, but racism as a corporate issue seems largely orthogonal to them."

– INTERVIEWEE

There is no dearth of research illuminating how and why racial equity is one of the greatest moral imperatives of our time, how advancing racial equity is also good for business (both as a superior growth model and a competitive advantage), and how systemic racism profoundly hampers economic growth.

- The notion that greater diversity leads to better financial performance (as popularized by McKinsey & Company, among others) is widely cited across sectors.
- As noted in the introduction, the National Equity Atlas shows us that racial gaps in income and employment cost this nation $2.8 trillion in 2017 alone, and the losses keep stacking up every year.
- From the report Race and the Work of the Future: Advancing Workforce Equity in the United States, we know that achieving racial equity would fuel even greater economic growth and that it is an urgent imperative for our current economic recovery. McKinsey & Company's report, The Case for Inclusive Growth, notes the same.
- Publications by PolicyLink and FSG, such as The Competitive Advantage of Racial Equity, Financial Services and the Competitive Advantage of Racial Equity, Health Care and the Competitive Advantage of Racial Equity, and Advancing Frontline Employees of Color, highlight how several Fortune 500 companies are driving innovation, growth, and business value by advancing racial equity.
- From the report Race in the workplace: The Black experience in the US private sector (a collaboration among McKinsey & Company, PolicyLink, Walmart, and the W.K. Kellogg Foundation), we know it will take a shocking 95 years for Black employees to reach parity across all levels in the private sector at our current trajectory. **Another century of persistent inequities is unacceptable and unsustainable.**

Of course, much more research is publicly available, and we trust the moral case is abundantly clear as well. Given we already have all the data and possible arguments for embracing racial equity in corporate America, it is time for business leaders to **prioritize** racial equity as a source of business innovation and growth. If we keep waiting for more compelling cases to be made for racial equity, we risk even more devastating economic inequality, and the stifled economic growth and instability that come along with it, as we become a majority people-of-color nation.

› **In our 2021 update to the *Blueprint*, we will share strategic guidance for business leaders who want to be well positioned to achieve sustained change and to take advantage of the tremendous opportunity that comes from prioritizing racial equity as a business strategy.**

4 Many business leaders still believe in, or are not equipped to dispel, the false narrative that racial equity work is a zero-sum game.

Several interviewees shared that addressing racial inequities sometimes feels like a zero-sum game. In particular, business leaders are struggling with how to increase the racial diversity of their senior leadership teams and boards. More people of color are needed at the highest levels of corporate leadership, but executive and board roles are limited. This concern around racial equity work feeling zero-sum continues to come up again and again in our conversations with business leaders in other settings as well, from workshops to consulting engagements to one-on-one counseling.

The mindset and false narrative that racial equity is a zero-sum game are not new. There is an ingrained societal suspicion that intentionally supporting one group hurts another. This underlying assumption deters some business leaders from confronting issues of race head-on and implementing strategies that target employees, consumers, suppliers, and markets of color. Meanwhile, even business leaders who are committed to advancing racial equity feel unprepared to make a compelling case to their stakeholders on why focusing on the most vulnerable often creates outsize benefits for **all of us**, known as the "curb-cut effect."

Changing this narrative is key to implementing more equitable business practices and making headway on racial equity in our nation. When we design the circumstances that allow those who have been left behind to participate and contribute fully, **everyone wins**. Conversely, when we ignore the challenges faced by the most vulnerable among us, those challenges, magnified many times over, become a drag on economic growth, prosperity, and national well-being (as we see so starkly in the reports cited in the previous takeaway).

Embracing this new way of thinking—and just as importantly, developing the capacity to discuss the "curb-cut effect" confidently with stakeholders—will enable business leaders to attract and cultivate more competitive pools of talent, tap into underserved markets, establish meaningful accountability at the executive levels without fear that it is a zero-sum effort, promote supply chain innovation, redesign corporate philanthropy to increase the impact of investments, effectively support public policies that improve outcomes for communities of color, and much more. This urgently needed shift in mindset, discourse, and approach will ultimately benefit the entire company, our economy, and society.

› **In our 2021 update to the *Blueprint*, we will profile companies that are boldly implementing and openly sharing their targeted racial equity strategies to achieve outsized benefits within the company, within their communities, and at the societal level.**

5 The ongoing tension between near-term perception and long-term impact, compounded by prevailing mindsets about the nature of equity work, presents a significant barrier to more meaningful change.

> *"When these issues are not in the red-hot spotlight, it gives us time to make deep, intrinsic changes."*
>
> – INTERVIEWEE

We know (and research demonstrates) that long-term, reinforcing strategies are more likely to create lasting impact, but business leaders have an overpowering sense of "urgency" to respond to the public's expectations of change with quick, superficial actions. This presents headwinds against long-term thinking and strategic investments.

This tension is also complicated by two pervasive (but unfounded) mindsets among business leaders:

FIRST, that racial equity work is only about diversifying the workforce and undertaking philanthropic activities; and

SECOND, that enterprise-wide racial equity strategies must be developed within the confines of conventional return-on-investment wisdom (*i.e.*, they must serve the bottom line) without full consideration of the business risk and opportunity cost of ongoing racial inequities.

It is critical for business leaders to analyze and understand the business risks and the short- and long-term opportunity costs of continued racial inequities within the company (*e.g.*, more talent voting with their feet and hampered productivity) and across society (*e.g.*, potential new markets going unexplored and stifled growth).

In addition, until business leaders take the time to operationalize racial equity as a long-term business strategy, they will run into decision paralysis in the face of public pressure or fall into the trap of one-off programs and initiatives that ultimately fail to achieve equitable outcomes or lasting change. Achieving racial equity should be an enterprise-wide organizational priority that drives daily business decisions and requires everyone to position their work within the organization's equity goals.

› **In our update to the *Blueprint*, we will share the immediate actions that companies can take to authentically get started on an enterprise-wide basis and lay the groundwork for long-term change.**

6 Smaller businesses feel overwhelmed, in large part because of the misconception that substantial investments of capital and other resources are required to adopt more equitable business practices.

"I need the baby steps version."

– INTERVIEWEE

There is no one-size-fits-all racial equity strategy for businesses, nor should there be, given the myriad ways in which business leaders can spur change within companies, within communities, and at the societal level. Yet, small and mid-sized businesses have shared with us that they are overwhelmed, do not know where to start, or do not have the time or resources to do the work.

We do not need flashy initiatives or large departments to run equitable companies. What we need are business leaders who are willing and able to prioritize equity and consider their decision making through an equity lens by asking the following questions on a day-to-day basis:

Who benefits?
Who decides?
Who owns?
Who pays?
Who leads and governs?
Who is missing?
Is anyone harmed?

Seeing through the equity lens and engaging in this practice should ultimately become second nature to all business leaders. It is also worth noting that smaller businesses may find that they are in fact well positioned to form deep community relationships and more swiftly change internal company culture than larger companies.

"It seems like I can never do enough; this hasn't been easy."

– INTERVIEWEE

While a company's racial equity work should scale to its impact, which often correlates to its relative size, capacity, and implementation feasibility, we have designed our upcoming update to the *Blueprint* to be a North Star for all companies, regardless of their size and market capitalization.

› **The updated *Blueprint* will also include profiles of how companies, large and small, are making progress in the right direction, along with actions that cost nothing but have the power to significantly advance racial equity within their companies, within the communities in which they are situated, and across society.**

7 The concepts and language of racial equity are steadily making their way into the business world; however, equity-washing remains a substantial risk.

> *"The first strategy plan I wrote (about three years ago) had the word 'equity' in it, and it got crossed out; now that word is everywhere."*
>
> – INTERVIEWEE

It is important for all of us, especially business leaders, to ensure that the language and work of racial equity are not diluted as the terms are increasingly in use. Phrases that were once considered taboo in corporate America, including "racial equity," "social justice," and "institutional racism," are now becoming commonplace.

This change is paving the way for dialogue around more complex topics like white supremacy and antiracism, which is so critical for making progress. At the same time, it is clear to us that the concept of equity is in danger of becoming just another catchphrase of corporate America. To achieve the true promise of racial and economic inclusion, we must protect against equity-washing. That means businesses must take on the hard work of deeply understanding the impact of their products, services, operations, policies, and practices on people of color and low-income communities and center equity in all of their activities.

› **In our upcoming update to the *Blueprint*, we will share how business leaders can embark on such efforts and redesign their business-as-usual practices with equity at the core.**

The Promise of This Moment

These key takeaways are intended to help all business leaders deepen the important dialogue on racial equity, understand the common barriers, and ultimately accelerate the evolution of antiracist, equitable corporations. Our further hope is that business leaders will realize and act on their essential shared interest in the economic and democratic benefits of racial equity.

Our nation is at a crossroads and the importance of corporate America's role in achieving racial equity cannot be overstated. Government and civil society alone cannot transform the systems and structures that deny over 100 million Americans a fair shot at success. Now is the time to align efforts across sectors and collectively take action that is commensurate with the scale of the challenge. **By taking action within their companies, communities, and society, business leaders have the unique power to plant the seeds of equity so deep into our national consciousness that we finally, collectively begin to address the structural barriers that prevent so many from thriving.**

We know business leaders need partners on this journey. In our upcoming update to the *Blueprint*, we will build on these takeaways to support business leaders in accelerating more sweeping change and getting to the next level of antiracist, equitable leadership. We are also building a big tent, investing in cross-sector collaborations, and forging alliances with corporations, philanthropy, equity advocates, community leaders with lived experience, business affinity groups, and the investor community. Achieving equity is our collective work. We must learn from each other, forge new paths together, and elevate those most burdened by structural racism.

AS WE LOOK AHEAD, we see the racial equity movement continuing to grow, not wane. Business leaders, will you join us in seizing this historic moment?

Appendix

Methodology

The pressure-testing interviews were conducted on our behalf in the fall of 2020 by Paul Shoemaker, either by phone or virtually. To promote candid discussions, we committed not to disclose individual or organization names in any publication of our findings or other public settings.

The 40 leaders with whom we spoke represented multibillion-dollar businesses to mid-market and small businesses, including retail and consumer products, finance, information technology, health care, media, professional services, hospitality, and philanthropy. We also interviewed two business affinity organizations and two large nonprofits for added perspective. Together, these organizations employ more than 4.3 million workers and range in size from the smallest company generating $10 million in annual revenues to the largest company generating over $100 billion in annual revenues.

Our interviewees included CEOs, chairpersons, chief diversity and inclusion officers, chief people officers, senior vice presidents, and general counsels. Just over half of the interviewees held the role of chief executive officer or chairperson; six held the role of head of diversity and inclusion; and 13 held other senior leadership roles. Of the 40 interviewees, 26 identified as male and 14 identified as female; 29 identified as White and 11 identified as people of color.

The questions we asked these leaders focused on understanding their perspectives of the challenges and opportunities ahead, the internal and external sources of pressure, potential levers of change and depth of action, and how PolicyLink and our partners might further support even more meaningful racial equity efforts in the private sector.

Overall, the leaders represented varying levels of expertise and engagement with racial equity work, ranging from those who had not yet explicitly prioritized racial equity work to those who had pursued traditional diversity and inclusion interventions for many years, to a handful who are endeavoring to lead the way for the business sector.

Given the broad scope and substantial challenges related to advancing racial equity in the private sector, our research is, of course, limited and thus incomplete. Discussions with business leaders consisted of 45-minute interviews, and we recognize that this is insufficient time to capture every insight. We also realize that things may have changed since these conversations took place.

Moreover, we recognize that this research is prone to a degree of selection bias as the interviewees represent a focus group of targeted and willing participants. It should also be noted that advance preparation was limited to asking executives to read the *Blueprint*, and we did not provide any additional level-setting of key racial equity concepts.

Lastly, this work presents an "inside-out" perspective of racial equity in the private sector and does not account for macroenvironmental "outside-in" forces and trends that are also relevant to corporate America.

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